

United States Senate
Committee on Finance



Sen. Chuck Grassley • Iowa
Ranking Member

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MEMORANDUM

To: Reporters and Editors
Fr: Jill Gerber for Sen. Grassley, 202/224-6522
Re: New CBO projections on debt
Da: Friday, March 20, 2009

Sen. Chuck Grassley, ranking member of the Committee on Finance and a senior member of the Budget Committee, today made the following comment on the Congressional Budget Office's release of the latest projections for the budget and economic outlook.

"CBO's word is the gospel. Congress and the Administration need to get the message. The buck stops with the American taxpayer. People can afford only so much government spending, even for the worthiest-sounding causes. The White House should take a break from the heavy sales job on the budget and explain missing the mark on red ink by \$2.3 trillion."

The CBO report is available here:

<http://www.cbo.gov/ftpdocs/100xx/doc10014/03-20-PresidentBudget.pdf>

The President's proposed budget, "A New Era of Responsibility: Renewing America's Promise," is available here:

<http://www.gpoaccess.gov/usbudget/fy10/pdf/fy10-newera.pdf>

The text of an Associated Press story follows.

US deficit forecast to hit \$1.8 trillion this year

By ANDREW TAYLOR, Associated Press Writer Andrew Taylor, Associated Press
Writer – 19 mins ago
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WASHINGTON – President Barack Obama's budget would generate deficits averaging almost \$1 trillion a year over the next decade, according to the latest congressional estimates, significantly worse than predicted by the White House just last month.

The Congressional Budget Office figures, obtained by The Associated Press Friday, predict Obama's budget will produce \$9.3 trillion worth of red ink over 2010-2019. That's \$2.3 trillion worse than the White House predicted in its budget.

Worst of all, CBO says the deficit under Obama's policies would never go below 4 percent of the size of the economy, figures that economists agree are unsustainable. By the end of the decade, the deficit would exceed 5 percent of gross domestic product, a dangerously high level.

The latest figures, even worse than expected by top Democrats, throw a major monkey wrench into efforts to enact Obama's budget, which promises universal health care for all and higher spending for domestic programs like education and research into renewable energy.

Many Democrats were already uncomfortable with Obama's budget, which promises to cut the deficit to \$533 billion in five years. The CBO says the red ink for that year will total \$672 billion.

The worsening economy is responsible for the even deeper fiscal mess inherited by Obama. As an illustration, CBO says that the deficit for the current budget year, which began Oct. 1, will top \$1.8 trillion, \$93 billion more than foreseen by the White House.

The 2009 deficit, fueled by the \$700 billion Wall Street bailout and diving tax revenues stemming from the worsening recession, is four times the previous \$459 billion record set just last year.

The CBO's estimate for 2010 is worse as well, with a deficit of almost \$1.4 trillion expected under administration policies, about \$200 billion more than predicted by Obama.

By the end of the decade, the deficit under Obama's blueprint would go back up to \$1.2 trillion.

Democrats in Congress are readying Obama's budget for preliminary votes next week, and they promise to cut the deficit in half within five years.

Democrats are likely to curb somewhat Obama's request for a 9 percent increase in non-defense agency budgets.

Obama's \$3.6 trillion budget for the 2010 fiscal year beginning Oct. 1 contains ambitious programs to overhaul the U.S. health care system and initiate new "cap-and-trade" rules to combat global warming.

Both initiatives involve raising federal revenues sharply higher, but those dollars wouldn't be used to defray the burgeoning deficit.

Republicans say Obama's budget plan taxes, spends and borrows too much, and they've been sharply critical of his \$787 billion economic stimulus measure and a just-passed \$410 billion omnibus spending bill that awarded big increases to domestic agency budgets.

The administration says it inherited deficits totaling \$9 trillion over the next decade and that its budget plan cuts \$2 trillion from those deficits. But most of those spending reductions come from reducing overseas costs for the war in Iraq.